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NSC BRIEFING

12 June 1956

BACKGROUND--ASWAN DAM

1. The proposed Aswan "high dam" is the central feature of a TVA-like project, called Sadd-el-Asli. Its basic objective: to add some 2 million acres to Egypt's irrigated land. Additionally, hydroelectric power would be generated, and some of it used for the manufacture of fertilizers.

A. Total estimated cost of the whole Sadd-el-Asli project: \$1.3 billion.

B. Estimated cost of the high dam itself: \$480 million.

C. Estimated amount of foreign currency needed to cover imports of equipment: \$275 million.

2. At present, Egypt's cultivated area is some 6 million acres.

DOCUMENT NO. 8
NO CHANGE IN CLASS. II
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CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: _____
AUTH: HR 70-2
DATE 1-14-80 REVIEWER:

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State Dept. review completed

Approved For Release 2002/08/21 : CIA-RDP79R00890A000700060014-9

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SEC BRIEFING

12 JUNE 1956

USSR AND THE ASSUAN DAM

1. Soviet foreign minister Shepilov's impending three-day visit to Cairo (for Egypt's 18 June celebration of the British evacuation of Suez) should afford the USSR an opportunity to inflame Egyptian suspicion's that the West is stalling on the still-to-be completed US-UK-IBRD deal to finance construction of the Assuan high dam. Shepilov, who last summer paved the way for Egypt's purchase of Bloc arms, may well again press the USSR's competing offer, first made last October, to finance the Assuan project itself.

A. At that time, Moscow offered the Egyptians a 30-year loan (amount unspecified) at 2% interest, with both principal and interest payable in Egyptian rice and cotton.

B. The West's offer: a grant of 370 million; a 20-25 year loan of \$500 million at 4.5 to 5%.

C. The USSR is reported to have renewed its October offer several times in past months, most recently on 17 May. This most recent renewal reportedly was made in the context that Egypt's May recognition of Communist China had jeopardized Egypt's chances of securing Western aid.

2. The fact that the Soviet Assuan offer is still open has been given wide publicity by the Egyptians. Cairo radio broadcasts have emphasized that, should the British withdraw their support for the dam project, the USSR remains ready and willing.

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NO CHANGE IN CLASS. 11
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NEXT REVIEW DATE: _____
AUTH: HR 70-2

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A. Egyptian Foreign Minister Fawzi told Ambassador Byrond on 23 May, however, that Egypt still wanted to do the Aswan project in "exclusive" cooperation with the West. Despite this recent assurance, Byrond has reported his impression that Cairo is coming to the conclusion that the West is not interested in carrying the Aswan deal further at this time.

B. Despite Nasser's probable desire to balance Egypt's receipt of Soviet military assistance with some equally impressive example of Western financial aid, he has pretty clearly indicated he will accept a Soviet offer on the dam if he is unable to come to acceptable terms with the West.

C. Nasser's basic difficulties in agreeing with the West stem from two sources: first, his insistence that Western financing should not result in placing "strings" on the Egyptian economy; and second, his desire that the West, rather than Egypt, appear as the suppliant.

D. Quite aside from the major economic considerations involved, the high dam project is essential to the Nasser regime's domestic prestige, and Nasser cannot afford to have the project fail to materialize merely because of Western non-support.

3. Over and above the question of Western or Soviet financing, it is noteworthy that Egypt still has not yet reached agreement with the Sudan on the distribution of Nile water available from the project.

A. Despite occasional optimistic reports from Cairo and Khartoum on the progress of these water negotiations, it seems unlikely that the newly-independent Sudanese will agree to Egypt's proposals, which--in Khartoum's view--neglect future Sudanese national needs.

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4. Thus, the Aswan question stands much where the arms question stood last summer, before Egypt turned to the Bloc. The Egyptian government feels the west is lukewarm on Aswan; the USSR has renewed its offer; Nasser has intimated he will accept the Soviet offer if the West does not come through.

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